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IN THE

Supreme Court of the United States

SCA HYGIENE PRODUCTS AKTIEBOLAG, ET AL.,

Petitioners,

—v.—

FIRST QUALITY BABY PRODUCTS, LLC, ET AL.,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF *AMICUS CURIAE* AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF NEITHER PARTY

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STATEMENT OF INTEREST

The American Intellectual Property Law Association ("AIPLA") is a national bar association of approximately 14,000 members who are primarily lawyers engaged in private and corporate practice, in government service, and in the academic community.[1] AIPLA members represent a wide and diverse spectrum of individuals, companies, and institutions involved directly and indirectly in the practice of patent, trademark, copyright, trade secret, and unfair competition law, as well as other fields of law affecting intellectual property. Our members represent both owners and users of intellectual property. Our mission includes helping establish and maintain fair and effective laws and policies that stimulate and reward invention while balancing the public's interest in healthy competition, reasonable costs, and basic fairness.

AIPLA has no interest in any party to this litigation and no stake in the outcome of this case,

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[1] In accordance with Supreme Court Rule 37.6, amicus curiae states that this brief was not authored, in whole or in part, by counsel to a party, and that no monetary contribution to the preparation or submission of this brief was made by any person or entity other than the amicus curiae and its counsel. Specifically, after reasonable investigation, AIPLA believes that (i) no member of its Board or Amicus Committee who voted to file this brief, or any attorney in the law firm or corporation of such a member, represents a party to this litigation in this matter, (ii) no representative of any party to this litigation participated in the authorship of this brief, and (iii) no one other than AIPLA or its members who authored this brief and their law firms or employers made a monetary contribution to the preparation or submission of this brief.

other than its interest in the correct and consistent interpretation of law affecting intellectual property.[2]

SUMMARY OF ARGUMENT

Consistent with this Court's decision in *Petrella v. Metro-Goldwyn-Mayer*, Inc., 134 S.Ct. 1962 (2014), the Federal Circuit decision in *SCA Hygiene Products Aktiebolag SCA Personal Care, Inc. v. First Quality Baby Products, LLC*, 807 F.3d. 1311 (2015), should be reversed. The laches ruling in *Petrella* for copyright law applies equally to patent law, precluding a laches defense to a claim for damages based on patent infringement occurring within the six-year damages limitations period under 35 U.S.C. § 286.

As this Court explained, where Congress has specifically enacted a limitations period to bring a claim, laches cannot be used to override clear congressional intent. *Petrella*, 134 S.Ct. at 1967. In the Patent Act, Congress expressly provided such a specific period of time within which a plaintiff may seek damages for patent infringement. 35 U.S.C. § 286. Accordingly, while a substantial delay that prejudices a defendant may warrant barring equitable relief, laches cannot bar all relief for infringement during the six-year limitations period. Due regard for the statute, the legislature, and patent policy goals militate against allowing laches

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[2] In accordance with Supreme Court Rule 37.3(a), the parties have consented to the filing of this amicus brief in support of neither party. Petitioners have filed a blanket consent with the Court, and counsel for Respondents has conveyed its consent in an email to AIPLA which has been filed with the Court.

to bar the legal remedy of damages for infringing acts within the limitations period. Just as "there is nothing at all 'differen[t]' ... about copyright cases in this regard" *Petrella* at 1974, so too there is nothing unique about patent law that requires a different rule for laches than the one reached by this Court in *Petrella*.

Additionally, to the extent the Federal Circuit holding in *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020 (Fed. Cir. 1992) is contrary to *Petrella*, the *Aukerman* decision should be overruled.

BACKGROUND

I. The Doctrine of Latches

Laches originated as a judicially created doctrine in the English courts of equity to provide a means for limiting stale claims where statutes of limitations did not apply. As this Court explained:

> From the beginning, equity, in the absence of any statute of limitations made applicable to equity suits, has provided its own rule of limitations through the doctrine of laches, the principle that equity will not aid a plaintiff whose unexcused delay, if the suit were allowed, would be prejudicial to the defendant.

Russell v. Todd, 309 U.S. 280, 287 (1940).

By prohibiting stale claims, the laches doctrine serves to protect a defendant from suffering

harm as a result of a plaintiff's unreasonable delay. Laches "requires proof of (1) lack of diligence by the party against whom the defense is asserted, and (2) prejudice to the party asserting the defense." *Costello v. United States*, 365 U.S. 265, 282 (1961).

Patent law recognizes laches and equitable estoppel as distinct defenses. Unlike laches, equitable estoppel may bar a plaintiff's claim entirely.

II. Statutes of Limitations

Like laches, statutes of limitations also serve to ensure fairness to defendants. A defendant is provided certainty that it will not be held accountable for damages after a codified period of time has lapsed. "Statutes of limitations are designed to promote justice by preventing surprises through the revival of claims that have been allowed to slumber " *Order of R. R. Telegraphers v. Ry. Express Agency, Inc.*, 321 U.S. 342, 348-49 (1944).

In this regard, statutes of limitation help to ensure the accuracy of the evidence by limiting the time in which evidence may be lost, memories may fade, and witnesses may disappear. *Id.*

> The process of discovery and trial which results in the finding of ultimate facts for or against the plaintiff by the judge or jury is obviously more reliable if the witness or testimony in question is relatively fresh. Thus in the judgment of most legislatures and courts, there comes a point at which the delay

> of a plaintiff in asserting a claim is sufficiently likely to impair the accuracy of the fact-finding process

Bd. of Regents v. Tomanio, 446 U.S. 478, 487 (1980), overruled on other grounds by *Wilson v. Garcia*, 471 U.S. 261, 276 (1985).

> While time is constantly destroying the evidence of rights, [statutes of limitations] supply its place by a presumption which renders proof unnecessary. Mere delay, extending to the limit prescribed, is itself a conclusive bar. The bane and antidote go together.

Wood v. Carpenter, 101 U.S. 135 (1879).

Statutes of limitations promote efficiency in the courts by limiting stale claims and clearing federal dockets. Statutes of limitations also reduce the costs associated with the uncertainty of whether a defendant will be foreclosed from pursuing its alleged misconduct, such as allegedly infringing a competitor's patent claims.

This Court in *Chase Sec. Corp.* explained the distinction between statutes of limitations and laches. *Chase Sec. Corp. v. Donaldson*, 325 U.S. 304, 314 (1945). Statutes of limitation are pre-determined and fixed whereas laches is left to a judge's discretion. Statutes of limitations do not distinguish between excusable delay and unavoidable delay. They are meant to ensure an objective, not discretionary, result or remedy

> Statutes of limitation find their justification in necessity and convenience rather than in logic. They represent expedients, rather than principles. They are practical and pragmatic devices to spare courts from litigation of stale claims, and the citizen from being put to his defense after memories have faded, witnesses have died or disappeared, and evidence has been lost *They are by definition arbitrary, and their operation does not discriminate between just and the unjust claim, or the voidable and unavoidable delay.*

Chase Sec. Corp. v. Donaldson, 325 U.S. at 314 *(internal citations omitted) (emphasis added).*

As such, laches and statutes of limitation are fundamentally different. Laches affords a court the discretion to distinguish between just and unjust delay. In contrast, statutes of limitations set a fixed period of time in which a plaintiff can seek relief.

ARGUMENT

I. This Court's Holding in *Petrella* Mandates that Laches Is Not a Defense to Legal Relief

In *Petrella*, this Court held that "laches cannot be invoked to bar legal relief." Rather, laches' "principal application was, and remains, to claims of an equitable cast for which the Legislature has provided no fixed time limitation." *Petrella*, 134 S.Ct. at 1973. Laches serves as a gap filler to be used by courts only where Congress fails to provide a

codified remedy for evaluating the timeliness of a claim. *Id.* at 1973-74.

Under *Petrella*, laches cannot apply in the face of the six-year period of 35 U.S.C. §286 within which Congress has expressly permitted claims for damages. Applying laches to shorten this prescribed period for seeking damages would circumvent Congress's intent and the very purpose of the statute of limitations. It would create an improper judicial hurdle to obtaining relief for acts occurring within a congressionally prescribed period for bringing infringement claims. Accordingly, "in face of a statute of limitations enacted by Congress, laches cannot be invoked to bar legal relief..." *Id.* at 1974.[3]

Nevertheless, the majority of the *en banc* Federal Circuit held that laches applies to bar legal relief in patent cases. In contravention of this Court's clear holding in *Petrella*, the majority in *SCA* held that laches can bar a claim for damages within the six-year limitations period set forth in the Patent Act. *SCA*, 807 F.3d at 1317. This ruling deprives a plaintiff of its adequate opportunity to enforce its rights, in contravention of Congress's expressly stated intent. "If Congress explicitly puts a limit upon the time for enforcing a right which it created, there is an end of the matter." *Petrella*, 134 S. Ct. at 1973 (quoting *Holmberg v. Armbrecht*, 327 U.S. 392, 395 (1946)).

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[3] Courts can, however, consider a plaintiff's delay in commencing suit in determining appropriate injunctive relief and profits to a plaintiff who prevails. *Petrella*, 134 S. Ct. at 1978.

Because the Federal Circuit decision directly conflicts with this Court's ruling in *Petrella*, it should be reversed.

Section 286 of the Patent Act sets forth Congress' express definition of the period in which damages can be recovered in a patent infringement action:

> Except as otherwise provided by law, no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action. 35 U.S.C. § 286.

Like the Ninth Circuit in *Petrella*, the Federal Circuit in *SCA* failed to fully recognize that the limitations period set forth in in 35 U.S.C. § 286 itself takes account of delay. *See Petrella*, 134 S.Ct. at 1973 ("The Ninth Circuit erred, we hold, in failing to recognize that the [statute of limitations] itself takes account of delay") To allow laches to bar damages during the prescribed period for legal relief improperly overrides and negates the very purpose of 35 U.S.C. § 286. Under this statute, no recovery may be had for infringement exceeding beyond the six-year time period. Delay in bringing a patent infringement suit thus bars recovery of a defendant's profits made outside the codified six-year window

If the Federal Circuit decision is affirmed, patent owners will be pressured to commence litigation shortly after learning of a potential infringement, simply to avoid the risk that

compensatory damages for their claims may be barred completely by laches.

Treating 35 U.S.C. § 286 as a fixed time frame for seeking damages allows a plaintiff time to proceed deliberately upon learning of a potential infringement. It permits the plaintiff to investigate its claim, consult with counsel, contact the accused party, conduct settlement discussions, and consider whether litigation is necessary or appropriate. *See* Gail L. Heriot, *A Study in the Choice of Form: Statutes of Limitation and the Doctrine of Laches*, 1992 B.Y.U. L. REV 917, 941 (1992) (a rigid rule allows for "amicable settlements when otherwise the anxious potential plaintiff might be forced to file a law suit for fear of being time barred.").

Under the law in most circuits, a plaintiff must commence litigation quickly to seek a preliminary injunction, but she is not required to do so simply to pursue damages. *Petrella* at 1978. If the Federal Circuit decision is affirmed, plaintiffs may feel obligated to commence litigation prophylactically simply to preserve a claim for damages, with the result that some litigation will be premature, unnecessary, and a waste of judicial and party resources.

The legal remedy provided by 35 U.S.C. § 286 should not be undermined by the application of laches given that Congress has determined the applicable temporal limitation on such legal remedies.

II. No Factors Unique to Patent Law Warrant a Different Rule from *Petrella*

The Federal Circuit decision appears to be premised on the notion that differences found in patent law warrant a different rule for laches. More particularly. Section 286 limits only the period for recovery of damages, and does not, by its terms, bar all relief. As such, Section 286 is not a full statute of limitations. As the appellate court concluded, however, this distinction is "irrelevant." *Id.* at 1321. That determination should have been an end to the inquiry because this Court's holding in *Petrella* is controlling.

To support its holding that patent law is distinct, the Federal Circuit relied upon a different provision of the Patent Act, namely 35 U.S.C. § 282. Section 282(b) provides, in part, as follows:

> Defenses.—The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:
>
> (1) Noninfringement, absence of liability for infringement or **unenforceability**.

(Emphasis added.)

The Federal Circuit held that, by including the defense of unenforceability, Section 282 "codified the laches defense," and made *Petrella* inapplicable. *SCA*, 807 F.3d at 1322.

The Federal Circuit interpretation of Section 282 is based upon scant legislative history, as the cited sentences in the House and Senate reports do not specifically address laches. *Id.* at 1322. Instead, the appellate court relies heavily on statements by P.J. Federico, a principal draftsman of the 1952 Patent Act. *Id.* at 1318, *citing* P.J. Federico, *Commentary on the New Patent Act*, 35 U.S.C.A. 1, 55 (West 1954). This reliance is misplaced. As stated by Judge Hughes in his dissenting opinion, the statutory language in Section 282 is "ambiguous at best." Further, an inference that Congress departed from the common law principle and decided that laches may be raised as a defense against a remedy at law, he continued, cannot properly rest upon a statement by an individual who, while central to the drafting of the Patent Act, was not a member of Congress voting on the measure. *Id.* at 1336.

As Judge Hughes also stated, "the only interpretation of [Mr. Federico's] statement [that laches is a defense] that is consistent with 35 U.S.C. § 286 is that Mr. Federico was referring to laches as a defense to equitable relief only." *Id.* Any other interpretation conflicts with this Court's precedent and established common law doctrine. *Id.* at 1337.

In support of its conclusion, the Federal Circuit also relied upon pre-1952 patent infringement actions applying laches to bar legal relief. However, as the dissent explained, analysis of the common law must begin with Supreme Court precedent, which clearly and consistently held that laches is no defense at law. *U.S. v. Mack*, 295 U.S.

480, 489 (1935); *Cross v. Allen*, 141 U.S. 528, 537 (1891). Indeed, even the dissent in *Petrella* failed to come up with a single case in which "this Court has approved the application of laches to bar a claim for damages within the time allowed by a federal statute of limitations." *Petrella*, 134 S.Ct. at 1974.

Further, the Federal Circuit did not provide sufficient support for its conclusion that, at the time the 1952 Patent Act was passed, it was uniformly well-established that laches is available to bar legal damages. The appellate court relied primarily on two appellate court cases: *Ford* and *Banker*. The *Ford* holding rested on a finding of equitable estoppel, notwithstanding its use of the term laches in dictum. *Ford v. Huff*. 296 F 652, 657 (1924). The *Banker* decision extended the holding in *Ford*, however, the decision is premised upon a misunderstanding of Section 274(b) of the Judicial Code. Section 274(b), which allowed equitable defenses to be interposed in actions at law, merely obviated the need to file a separate action on the equitable side of the court. It did not alter the substantive application of legal and equitable defenses. *Banker v. Ford Motor Co.*, 69 F.2d 665,666 (1934). *See also Enelow v. N.Y Life Ins. Co.*, 293 U.S. 379, 382 (1935), *rev'd on other grounds by, Gulfstream Aerospace Corp. v. Mayacames Corp., 485 U.S. 271 (1988).*

Even if, arguendo, Section 282 does codify laches, there is nothing to suggest that it changed laches to interfere with a legislatively enacted statute of limitations prescribing the period in which legal relief may be sought. The Federal Circuit's

reliance on 35 U.S.C. § 282 to expand the scope of the laches defense to 35 U.S.C. § 286 mirrors a theory advanced by the defendants in *Petrella*, which this Court expressly rejected. In *Petrella*, the defendants argued that the laches defense listed in Federal Rule of Civil Procedure 8(c) provides that "laches is 'available ... in every civil action' to bar all forms of relief," including the relief for damages brought within the Copyright Act's three-year limitations period. *Petrella* at 1974. When the *Petrella* Court asked whether laches can apply when there is an ordinary six-year statute of limitations, the defendants responded that "case-specific circumstances might warrant a ruling that a suit brought in year five came too late." *Petrella* at 1974. Rejecting this argument, the *Petrella* Court stated:

> *Inviting individual judges to set a time limit other than the one Congress prescribed, we note, would tug against the uniformity Congress sought to achieve when it enacted* § 507(b).

Id. at 1974-75 (emphasis added).

Here, *SCA*'s holding permits the very judicial activity this Court refused to allow in *Petrella*, namely inviting individual judges to set a time limit other than the one Congress prescribed. But *Petrella* makes clear that "courts are not at liberty to jettison Congress' judgment on the timeliness of suit. Laches ... cannot be invoked to preclude adjudication of a claim for damages brought within the [prescribed window for relief]." *Petrella* at 1967

III. *Aukerman* Should Be Overruled in View of *Petrella*

The Federal Circuit holding in *SCA* followed the Federal Circuit's earlier decision in *A.C. Aukerman Co. v. R.L. Chaides Construction Co.*, 960 F.2d 1020 (Fed. Cir. 1992). *Aukerman* held that laches can bar a plaintiff's claim for damages from patent infringement—even when that claim is brought within the time period prescribed by Congress. This conclusion was also premised on the view that Section 282 codified the doctrine of laches as discussed above. According to *Aukerman*, the merger of law and equity allows for the interposition of a laches defense in actions at law for damages. To the extent the *Aukerman* decision contradicts this Court's holding in *Petrella*, it should beoverruled.

In the context of copyright law, the Supreme Court in *Petrella* expressly rejected the *Aukerman* rule, holding that "[t]he expansive role for laches [defendant] envisions careens away from understandings, past and present, of the essentially gap-filling, not legislation-overriding, office of laches. Nothing in this Court's precedent suggests a doctrine of such sweep." *Petrella*, 134 S. Ct. at 1974; *see also Oneida County, N.Y v. Oneida Indian Nation of New York State*, 470 U.S. 226, 245 n.16 (1985) ("that application of the equitable defense of laches in an action at law would be novel indeed"); *Naccache v. Taylor*, 72 A.3d 149, 154 (D.C. 2013) ("The overwhelming majority of the state supreme courts we identified that have considered this issue continue, post-merger [of equity and law courts], to bar laches as a defense for actions at law,"). In that

vein, this Court stated that it has never "approved the application of laches to bar a claim for damages brought within the time allowed by a federal statute of limitations." *Petrella*, 124 S. Ct. at 1974. To the extent that *Aukerman* is inconsistent with *Petrella*, *Aukerman* should be overruled.

CONCLUSION

For the foregoing reasons, AIPLA respectfully requests that the Court reverse the Federal Circuit and clarify that laches may not apply to acts occurring within the six-year damages limitations period set forth in the Patent Act.

Respectfully submitted,

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